JB HI-FI

ANNUAL REPORT

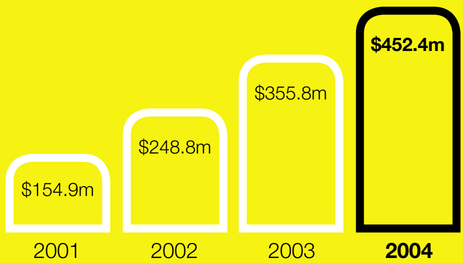
2004

Financial Summary

FINANCIAL PERFORMANCE Year to 30 June 2004	2003	Actual 2004	%
Sales revenue *($m)*	355.8	**452.4**	27%
EBIT *($m)*	16.7	**22.8**	37%
Profit after tax and minority interests *($m)*	8.6	**13.8**	61%
Earnings per share *(¢)*	8.39	**13.48**	61%

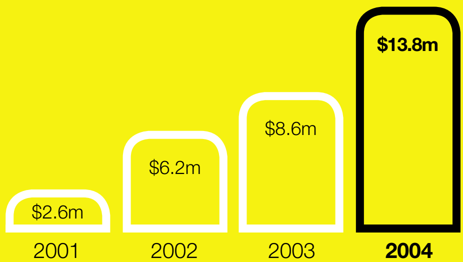
Sales +27%

Sales grew 27.1% to $452.4 million. Comparable store growth was 8.0%



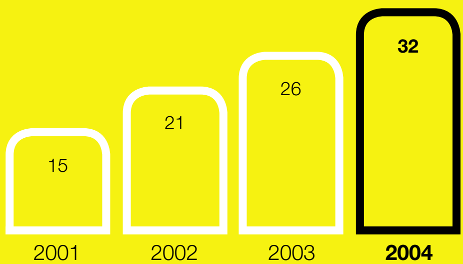
NPAT +61%

Net profit after tax grew 60.7% $13.8 million



Stores +6

6 new stores were opened, taking the total stores to 32 at year end.



Chairman's and Chief Executive Officer's Report

Dear fellow shareholder,

The company has exceeded its prospectus forecast with a Net Profit after Tax of $13.8 million for the financial year ended 30 June 2004, its first full year result since listing on the ASX in October 2004. Six new stores were opened during the year taking total store operations to 32 by year end.

Result

JB Hi-Fi Limited (referred to below as the Company) delivered a record result of $13.8 million in net profit after tax for the financial year ended 30 June 2004. This is an increase of 60.7% over that achieved last year. Sales were $452 million, an annual increase of 27.1%, reflecting a combination of strong comparative store growth of 8.0% and sales from the six new stores opened during the year and the five stores opened during the 02/03 year that have continued to mature.

Gross margins also increased during the year up to 23.4%, from 22.5% for the same period last year. Key drivers of margin included improvements in the average margin achieved on movies as back catalogue becomes a greater proportion of our total movie sales, better buying commensurate with our increase in scale and improved add-on sales. On the other hand we have seen continued price deflation in some categories (digital cameras, DVD players). We have been fortunate, that in most cases, volume has more than made up for unit price deflation. In the case of flat panels (plasma and LCD) the average unit sale has in fact increased as consumer preference switches from the lower value CRT televisions. Competition remains high but appears to have had no appreciable effect on margins during the year.

The Company's competitive positioning is built on a low cost model. With operating expenses at just 17.8% of sales (excluding depreciation and amortisation), it can offer everyday low prices across all its product categories and still achieve an EBIT margin of 5.0%. At the same time, there is pressure on operating costs as the Company invests in opening new stores and expenses start up costs. As the Company grows, these costs and the impact of unit price deflation, is offset by economies of scale.

The Company enjoyed strong cashflow from operations ($14.8 million), down slightly from last year, after allowing for some abnormal working capital positions as at 30 June 2003. Even after the acquisition of the Clive Anthony business in August 2004, the company remains conservatively geared with interest cover of 6 times and fixed charges cover of around 2.7 times (incorporating the impact of the Clive Anthonys acquisition).

Review of Operations

Six new stores were opened during the year, one more than in the prospectus forecast. There was however some slippage, with a number of sites taking longer to progress through to development. Two stores were opened in Perth and one each on the Sunshine Coast (Qld), Central Coast (NSW), Adelaide (SA) and Sydney (NSW). All stores have performed well since opening.

We continue to be pleased with the maturing of the stores opened over the last three years particularly those outside of the Company's traditional Victorian market. The success of these interstate stores confirms the strength of the Company's positioning as a discounter of the widest range of consumer electronics and home entertainment products in the country.

The Company has identified a substantial number of new store opportunities that should enable it to comfortably open nine JB Hi-Fi branded stores next year and a similar number in the ensuing two years at similar rentals to those which the company currently enjoys. Whilst we continue to opportunistically extend into the Melbourne and south east Queensland markets, the new store rollout is now concentrating on Sydney, Perth and Adelaide. In particular, increasing our scale in Sydney beyond our current three stores will enable the company to concentrate more of its promotional expenditure on mainstream media.

Technology continues to be a major driver of consumer electrical sales and the stores have been merchandised to take advantage of the continued interest in flat panel TVs, digital still and video cameras, portable music devices and recordable DVD players. In the software segment we have continued to see good growth in music, notwithstanding the threat downloading (legal and illegal) and piracy pose to the retail industry. DVD continues to grow strongly as the back catalogue increases. This has improved margins as the highly competitive blockbuster titles form a smaller proportion of total movie sales. Despite its relatively small number of stores, the Company believes it is now the number two retailer of music and number three retailer of movies in the country and was named for the second consecutive year, “DVD retailer of the Year”.

Partial Acquisition of Clive Anthonys

In August 2004, it was announced that JB Hi-Fi had acquired 70% of Clive Anthonys for $24.15 million. In the year ended 30 June 2004, the business reported a normalised EBIT of $7.5 million. The Clive Anthonys business has five retail outlets in Brisbane and the Gold Coast selling white goods, brown goods, cooking appliances and computers. The acquisition is important as it gives the Company exposure to additional segments of the household consumer electrical market. With 70% of Clive Anthonys’ suppliers overlapping with JB Hi-Fi, there remains a significant opportunity to benefit from economies of scale.

One of the key attractions of the Clive Anthonys business was the experience and track record of its management team and staff. Executive Chairman, Clive Savage is one of the most respected retailers in the country having established the Melbourne based “Clive Peeters” before selling and then re-entering the market with “Clive Anthonys” in 1996. The calibre of the team enables Clive Anthonys to be run as an autonomous division, although administrative and buying synergies will be sought where appropriate.

The Company has an option to acquire the remaining 30% holding in Clive Anthonys. The direct holding by key management is however a key incentive that should see the successful growth of the brand over the coming years. It is expected that one Clive Anthonys store will be opened towards the end of the 04/05 year with a further two to three stores a year thereafter.

Board, Corporate Governance and Management Approach

With the transition from ownership by private equity firms to the public via the listing on the ASX in October 2003, Mr Will Fraser and Mr James King joined the board. Both Will and James bring a wealth of relevant experience to the board which should benefit it in the coming years.

It is our philosophy to encourage innovation and experimentation balanced with appropriate risk management. The move into shopping centres, the opening of Music and Movie Superstores in Adelaide, Perth and Canberra and the positioning at the front of the technology curve for new products have all been calculated risks that have paid dividends. We continue to seek new ways of providing a differentiated and valued offering to our customers whilst providing a challenging and rewarding environment for our staff. Employee ownership of Company shares is widespread as is participation in the executive option plan. This continues to ensure that the Company is able to attract and retain the very best staff in our industry.

Shareholders

The Company has approximately 4,000 shareholders many of whom participated in the initial ASX listing in October 2003. We were particularly pleased with the level and quality of institutional interest during the IPO and since. The strength of the JB brand and the strong economic fundamentals of our business have equally attracted a solid base of retail shareholders to the register.

The Company will pay a final dividend of 3.6 cents per share fully franked for the year ended 30 June 2004. This brings total dividends for the year to 7.2 cents per share. The payout ratio for the year was 53.4%. It is expected that the company will be able to maintain the 7.2 cent per share dividend which may increase depending on speed and scale of the store roll out program.

Outlook

The Company enjoyed favourable market conditions driven by low rates of interest, inflation and unemployment. Consumer expenditure remained buoyant throughout the year notwithstanding a widely predicted fall in the housing cycle. We remain positive about the continued growth of our stores on a like for like basis as technology continues to drive demand and our new stores continue to mature. We remain confident in our ability to open at least nine new JB Hi-Fi stores a year for the foreseeable future. Macro-economic conditions however may not be as favourable over the next 12 months as concerns over energy prices, increasing interest rates and a slowing housing sector persist.

Your board, management and staff look forward to the challenge of the next year as past initiatives continue to bear fruit and new initiatives are undertaken.

Patrick Elliott
Chairman

Richard Uechtritz
CEO

Financial Report 2004

for the Financial Year Ended 30 June 2004

JB Hi-Fi's directors and management are committed to ensuring that the company's business is conducted ethically and in accordance with high standards of corporate governance. This statement describes JB Hi-Fi's approach to corporate governance.

The Board believes that JB Hi-Fi's policies and practices comply in all substantial respects with the ASX Corporate Governance Council Principles of Good Corporate Governance. JB Hi-Fi respects and values the rigour of the ASX Principles of Good Corporate Governance and Best Practice Recommendation. The Board believes that it has been compliant with the spirit of The Corporate Governance Principles and Best Practice Recommendations during the 2004 financial year.

The Board has determined having regard to the company's current size, not to establish a Nominations Committee. The Board has retained this responsibility. During the 2004 financial year and subsequent to the company's listing in October 2003, the Board has completed a process of reviewing and adopting formal policies and procedures. This process was completed in August 2004. The Board will continually review and monitor developments in respect to corporate governance to ensure compliance with best practice.

THE BOARD

Role

The primary role of the JB Hi-Fi Board is to protect and enhance long-term shareholder value. The Board is accountable to shareholders for the performance of the company; it directs and monitors the business and affairs of the company on behalf of shareholders; and is responsible for the company's overall corporate governance.

The Board responsibilities include the corporate governance of the company, overseeing the business and affairs of the company, communicating with the company's shareholders and the community, evaluating the performance of senior executives, ensuring that appropriate procedures are in place so that company business is conducted in an honest, open and ethical manner and the establishment of a formal and transparent procedure for the selection, appointment and review of Board directors.

The Chief Executive Officer, who is accountable to the Board, is responsible for managing, directing and promoting the profitable operation and development of the company.

A copy of the Board Charter can be found on the company's website at www.jbhifi.com.au

Composition

The Board seeks to ensure that the combination of its members provides an appropriate range of experience, skills, knowledge and perspective to enable it to carry out its obligations and responsibilities. In reviewing the Board's composition and in assessing nominations for appointment as non-executive directors, the Board uses its own internal resources to identify candidates for appointment as directors. External resources may also be used, if suitable candidates are not identified.

The Board considers that its current structure, size, focus, experience and use of committees enables it to add value to the company and to operate effectively. The Board regularly reviews this balance.

JB Hi-Fi maintains a majority of non-executive directors on its Board. The Board currently comprises six directors: four independent non-executive directors, including the Chairman, and two executive directors, including the Chief Executive Officer.

Details of the directors as at the date of this report, including their experience, expertise and term of office are set out in the Directors' Report in the Annual Report.

Independence

The JB Hi-Fi Board regards a director as an independent director if they are free from any business or other relationship that could compromise their ability to act in the best interests of the company.

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the company. Directors are required to promptly disclose to the Board interests in contracts, other directorships or offices held, possible related party transactions and sales or purchases of the company's shares.

Selection and Appointment of directors

In considering Board membership, the directors are conscious of the need to ensure that Board members possess the diversity of skill and experience required to fulfill the Board's obligations. The Board considers nominations for appointment to the Board. Apart from the Chief Executive Officer, directors are subject to shareholder re-election by rotation at least every three years.

A copy of the procedure for the selection and appointment of Directors can be found on the company's website at www.jbhifi.com.au.

Board meetings

The Board meets monthly for scheduled meetings. Dependent on business requirements, the Board may have such additional unscheduled meetings as the business of the company may require. Prior to any meeting, the Directors receive all necessary Board papers. As well as holding regular Board meetings, the Board sets aside time to meet to comprehensively review business plans and company strategy.

Access to information and Independent advice

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the company's expense.

Pursuant to a deed executed by each director and the company, a director also has the right to have access to all documents which have been presented to Board meetings or made available in relation to their position as director for a term of seven years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

Code of Ethics

JB Hi-Fi acknowledges the need for directors, executives and employees to observe the highest ethical standards of corporate behaviour. JB Hi-Fi has adopted a Code of Ethics to provide employees with guidance on what the company deems is acceptable behaviour.

The key elements of the code are characterised by:

*As a company: (*a) respecting every employee's dignity, rights, freedoms and individual needs; (b) providing a working environment that is safe, challenging and rewarding, (c) recognising the work of each of our employees, (d) respecting customers', suppliers' and employees' personal and sensitive information, (e) reinforcing JB Hi-Fi's commitment to the highest standards in business and professional ethics and (f) obeying the law.

*As employees: (*a) treating customers, the public and fellow employees with honesty, courtesy and respect; (b) respecting and safeguarding the property of customers, JB Hi-Fi and fellow workers; (c) maintaining confidentiality of all customers, JB Hi-Fi or other parties' information gained through our work; (d) performing our duties, as best we can, taking into account our skills, experience, qualifications and position; (e) doing our jobs in a safe, responsible and effective manner; (f) respecting personal and sensitive information in accordance with Privacy Legislation; (g) ensuring our personal business and financial interests do not conflict with our duty to JB Hi-Fi; (h) working within JB Hi-Fi's policies and rules; and (i) obeying the law.

The company has developed appropriate policies and guidelines to assist employees in applying the code in practice. A copy of the Code of Ethics can be found on the company's website at www.jbhifi.com.au.

Shareholdings of directors and employees

Directors' current shareholdings are detailed in the company's annual report and as updated by notification to the Australian Stock Exchange as required. The Board has approved a Share Trading Policy for dealing in securities.

Directors and Employees may only trade in JB Hi-Fi shares and any other securities during designated Trading Periods, which are conducted several times each year. These Trading Periods will follow the release of JB Hi-Fi's Final Results (Aug/Sept), Interim Results (Feb/March) and the Annual General Meeting (Oct/Nov), for a period of four weeks. Any transaction conducted by directors in shares of the company is notified to the Australian Stock Exchange.

A copy of the Share Trading Policy can be found on the company's website at www.jbhifi.com.au

INTEGRITY OF REPORTING

The company has put in place controls designed to safeguard the company's interests and to ensure the integrity of its reporting. These controls aim to ensure that the company complies with all regulatory requirements and community standards.

Both the Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that:

(a) the company's financial reports represent a true and fair view, in all material respects, of the group's financial condition and operational results and are in accordance with relevant accounting standards, and

(b) the statement in (a) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that

(c) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The company's financial accounts are subject to an annual audit by an independent, professional auditor who also reviews the company's half yearly financial statements. The Audit and Risk Management Committee oversees this process on behalf of the Board. The company's external audit firm was most recently appointed in 2002. The audit engagement partner is to be rotated every five years in line with the agreement between the audit firm and JB Hi-Fi.

Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners can be found on the company's website at www.jbhifi.com.au.

Continuous Disclosure

The company seeks to provide relevant and timely information to its shareholders and is committed to fulfilling its obligations to the broader market for continuous disclosure. JB Hi-Fi aims to ensure timely provision of equal access to material information about the company.

The Board has approved a continuous disclosure policy to ensure that the procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act and ASX Listing Rules are clearly articulated. This policy sets out the obligations of employees relating to the type of information that must be disclosed. The Company Secretary, in consultation with the Chief Executive Officer and Chairman, is responsible for communication with the Australian Stock Exchange.

A copy of the Continuous Disclosure Policy can be found on the company's website at www.jbhifi.com.au.

Shareholders Communications

The company's website www.jbhifi.com.au currently carries the following information for shareholders:

- All market announcements and related information which is posted immediately after release to the ASX;
- Details relating to the company's directors and senior management; and
- Board and Board committee charters and other corporate governance documents.

The company will request that the external auditor attend its annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

A copy of the Shareholder Communication Policy can be found on the company's website at www.jbhifi.com.au.

RISK IDENTIFICATION AND MANAGEMENT

The Board has delegated to the Audit and Risk Management Committee responsibility for overseeing the implementation of policies and procedures aimed at ensuring that the company conducts its operations in a manner that manages risk to protect its people, the environment, company assets and reputation as well as to realise opportunities. JB Hi-Fi's policy is to consider the balance of risk and reward, as far as practicable, in order to optimise the returns gained from its business activities and to meet the expectations of its stakeholders.

A copy of the company's Risk Oversight and Management Policy can be found on the company's website at www.jbhifi.com.au.

Board performance

JB Hi-Fi monitors and evaluates the performance of its Board, its Board committees, individual directors, and key executives in order to fairly review and actively encourage enhanced board and management effectiveness. It has a range of processes in place to evaluate Board performance, Board Committees, individual directors and executives.

In 2004, the Board assessed the extent to which the Board achieved its objectives. As part of the company's annual review process the Board will undertake a process of evaluating its effectiveness and performance since the company was listed on the ASX. The review will be line with the published process for Board performance evaluation.

A description of the process for Board performance evaluation, its committees and individual directors, and key executives can be found on the company's website at www.jbhifi.com.au.

DIRECTORS' FEES AND EXECUTIVE REMUNERATION

Directors' fees

In line with the JB Hi-Fi Constitution, total remuneration for non-executive directors must not exceed $250,000 per annum or any other amount per annum determined by the company in an Annual General Meeting. The Board within the aggregate amount of $250,000, determines non-executive directors' individual fees.

The details of remuneration paid to each non-executive director during the financial year are included in the company's Annual Report. Directors receive superannuation in accordance with statutory requirements. In determining fee levels, the Board reviews data on fees paid by comparable companies and where appropriate may receive expert independent advice regarding remuneration levels required to attract and compensate directors of the appropriate calibre and for the nature of the directors' work and responsibilities.

Non-executive directors do not participate in any incentive schemes and are not entitled to receive retirement allowances.

Executive Remuneration

The Board believes that executive remuneration should be fair and reasonable, structured effectively to motivate and retain valued executives and designed to produce value for shareholders.

At JB Hi-Fi, remuneration of senior executives is evaluated against comparative positions in similar companies and industries and comprises (a) fixed remuneration and (b) variable remuneration consisting of (i) short-term incentives (annual bonus based on specified performance targets as agreed with the executive) and (ii) long term incentives (options under the JB Hi-Fi Executive Share Option Plan).

The Board is aware of the Executive Share and Option Scheme Guidelines, issued by the Investment and Financial Services Association (IFSA) in May 2000. The Board is satisfied that its executive remuneration policies, specifically as they relate to the executive share option plan (as detailed in this annual report), are consistent with the aims, objectives and outcomes detailed in the IFSA guidance note no.12.

The amount of remuneration, both monetary and non-monetary, for the executives who are directly accountable and responsible for the strategic direction and operational management of the company during the year are included in the company's Annual Report.

Details of the existence and conditions of all share and option schemes currently in operation, including the details of performance hurdles are summarised, included in the company's Annual Report and have been lodged with the ASX.

BOARD COMMITTEES

The Board has established charters for the operation of its committees. The charters are reviewed annually and objectives are set for each committee. The minutes of these committees are circulated to the Board.

Audit and Risk Management Committee

The board has established an Audit and Risk Management Committee that has a formal charter.

The committee is charged with, in part, (a) assisting the board in fulfilling its oversight of the reliability and integrity of financial management, accounting policies, asset management and financial reporting and disclosure practices; (b) advising the board on matters of internal control; and (c) establishing and maintaining processes to ensure that there is compliance with all applicable laws, regulations and company policy; and adequate systems of internal control and risk management.

A copy of the Audit and Risk Management Committee Charter can be found on the Company's website at www.jbhifi.com.au.

The Audit and Risk Management Committee comprises three non-executive directors all of whom are independent with relevant financial, commercial and risk management experience and an independent chairperson who is not the chairperson of the Board.

Gary Levin is the Chairman of the Audit and Risk Management Committee and the other members are Patrick Elliott and James King. Their qualifications are detailed in the Director's Report of the Annual Report.

The Audit and Risk Committee meets regularly. Details of the meetings held and members' attendance during the 2004 Financial Year are listed in the Director's Report of the Annual Report. Directors who are not members of a committee may attend any committee meeting following consultation with the Chairperson of the relevant committee.

Remuneration Committee

The board has established a Remuneration Committee that has a formal charter.

The Remuneration Committee is charged with, in part, reviewing and making recommendations to the board regarding the remuneration and appointment of senior executive officers and non-executive directors, policies for remuneration and compensation programs of the Company generally and administration of remuneration and compensation programs.

The Remuneration Committee comprises three directors, two of whom are non-executive directors. Patrick Elliott is the commitee's Chairman and the other members are Will Fraser and Richard Uechtritz. Their qualifications are detailed in the Director's Report of the Annual Report. The Remuneration Committee meets as required. Details of the meetings held and members' attendance during the 2004 Financial Year are listed in the Director's Report of the Annual Report.

A copy of the Remuneration Committee Charter can be found on the company's website at www.jbhifi.com.au.

Nominations Committee

The Board, having regard to the size of the company, has not established a Nominations Committee.

The Board is charged with, in part, selecting, appointing and regularly evaluating the performance of, determining the remuneration of, and plan for the successor of the Chief Executive Officer; establishing formal and transparent procedures for the selection and appointment of new directors to the Board; regularly reviewing the succession plans in place for Board membership to ensure that an appropriate balance of skills, experience and expertise is maintained; and instituting internal procedures for evaluating Board performance, individual directors and Board Committees.

A copy of the Board Charter can be found on the company's website at www.jbhifi.com.au. A copy of the Board's policy for the appointment of directors can be found on the company's website at www.jbhifi.com.au.

The directors of JB Hi-Fi Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Patrick Elliott Non-Executive Chairman B.Comm LLB, MBA (Hon),CA	Mr Elliott is an executive director of Macquarie Direct Investment Limited, the private equity division of Macquarie Bank Limited, as well as associated investee companies including Financial Network Services (Holdings) Pty Ltd and Space Health Clubs Pty Ltd. He is also Chairman of the Australian Venture Capital Association Limited.
Richard Uechtritz Chief Executive Officer	Mr Uechtritz has over 20 years experience in retailing. He was co-founder of Australia's two leading photo chains Rabbit Photo and Smith Kodak Express. Mr Uechtritz was also a director of Kodak (Australasia) Pty Ltd. Mr Uechtritz led the management buy-in of JB Hi-Fi in July 2000.
Terry Smart Executive Director	Mr Smart is a former director of Kodak's retail operations and General Manager of Operations. During his career with JB Hi-Fi he has led the implementation of the company's management information system, including a point of sale system, in-store reporting systems and an electronic data interface with the company's major suppliers.
Gary Levin Non-Executive Director B.Comm, LLB	Mr Levin is currently Managing Director of Environmental Infrastructure Limited and EarthPower Technologies Sydney Pty Ltd. He was formally the founder and Managing Director of TLC Dry Cleaners and a previous joint Managing Director of Rabbit Photo Holdings Limited. He has over 20 years experience running public and private companies in the retail, real estate and renewable energy fields. He was admitted to the Bar of New South Wales in 1978 and is a member of the New South Wales Bar Association.

Will Fraser Non-Executive Director Ph.D	Mr Fraser retired in 1999 as Chairman and Managing Director of Kodak Australasia Pty Ltd, an appointment that followed two years in London as a Corporate Vice President of Eastman Kodak and Regional Business General Manager, Consumer Imaging, of Europe, Africa, India and the Middle East region. He is currently a member of the Board of Trustees of the Baker Foundation.
James King Non-Executive Director B.Comm	Mr King has had over twenty five years experience in fast moving consumer goods in major multi-national corporations in Australia and the Asia/Pacific markets. He was formally with Foster's Group Limited as Senior Vice President Strategy & Business Development, Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Fosters he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific). He is currently on the Advisory Board of the Juvenile Diabetes Research Foundation (VIC).
Hugh Toll Non-Executive Director	Mr Toll is an Associate Director of Macquarie Direct Investment Limited.
Macdonnell Roehm Non-Executive Director	Mr Roehm is Chairman of Australian Ventures LLC.

The above named directors held office during and since the end of the financial year except for:

- Hugh Toll (resigned 15 September 2003)
- Macdonnell Roehm (resigned 15 September 2003)

Principal activities

The consolidated entity's principal activity in the course of the financial year was the retailing of home entertainment products, with particular focus on:

- consumer electronics (televisions, hi-fi, DVD players, home theatres, digital still and video cameras and accessories)
- car sound systems (audio & visual)
- music and movies

from stand alone and shopping centre locations, offering a wide range of leading brands. There have been no significant changes in the principal activity of the consolidated entity during the financial year.

Review of operations

The consolidated profit after tax of the consolidated entity for the financial year was $13,806,000 (2003: $8,593,000).

Consolidated sales for the financial year were $452,357,000, which is 27% greater than the consolidated sales for the previous financial year. The consolidated profit after tax for the financial year of $13,806,000 is 61% greater than the consolidated profit after tax for the previous financial year.

Changes in state of affairs

During the financial year, the consolidated entity listed on the Australian Stock Exchange. There was no other significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

Subsequent to year end, the company acquired 70% of the business of Queensland electrical retailer, Clive Anthonys for $24.15 million on 5 August 2004. Clive Anthonys retails white goods, consumer electronics, cooking appliances and computers. The company had sales in the financial year ended 30 June 2004 of $82.5 million with a normalised EBIT of $7.5 million. This event has no effect on the financial statements for 2004.

The company also acquired the business assets and stock in trade of the business of Impact Records located in the central business district of Canberra, ACT. The acquisition was effective 1 July 2004. The purchase consideration was $1.5 million, plus stock in trade. Except for a deposit of $150,000, as disclosed in note 9, this event has no further effect on the financial statements for 2004. Refer to note 32 for further details.

Directors have also declared a final dividend for the financial year ended 30 June 2004, as set out in the Dividends section of this report.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The consolidated entity is not involved in any activities that have a marked influence on the environment within its area of operation. As such, the Directors are not aware of any material issues affecting the consolidated entity or it's compliance with the relevant environmental agencies or regulatory authorities.

Dividends

Prior to the company being listed on the ASX, a final dividend of 45.66 cents per share, fully franked at the company tax rate of 30%, was paid to the holders of fully paid ordinary shares on 15 September 2003 in respect of the year ended 30 June 2003.

In respect of the financial year ended 30 June 2004, an interim dividend of 3.6 cents per share, fully franked at the company tax rate of 30% was paid to the holders of fully paid ordinary shares on 14 April 2004.

In respect of the year ended 30 June 2004, a final dividend of 3.6 cents per share was recommended by Directors of the company, fully franked at the company tax rate of 30%. This final dividend was not declared until 16 August 2004. The record date for the purpose of determining shareholders entitlement to the dividend is 7 October 2004 and will be paid to eligible shareholders on 21 October 2004. Accordingly, no provision for this dividend has been recognised in the financial statements for the year ended 30 June 2004.

Indemnification of officers and auditors

As provided under the constitution, the company indemnifies Directors and senior officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a Director or officer. During the year, the company has paid a premium in respect of a contract insuring its Directors and senior employees against liability of this nature. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, ten board meetings, one remuneration committee meeting and five audit and risk management committee meetings were held.

	Board of Directors		Remuneration Committee		Audit & Risk Management Committee	
	Held	*Attended*	*Held*	*Attended*	*Held*	*Attended*
P. Elliott	10	10	1	1	5	5
R. Uechtritz	10	10	1	1	–	–
T. Smart	10	10	–	–	1	1[(I)]
G. Levin	10	10	–	–	5	5
W. Fraser	9	9	1	1	–	–
J. King	2	2	–	–	1	1
H. Toll	1	1	–	–	–	–
M. Roehm	1	1	–	–	–	–

(I) T.Smart was a member of the Audit & Risk Management committee prior to JB Hi-Fi Limited listing on the ASX, he resigned from the committee in August 2003.

Directors' and executives' remuneration

The remuneration committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to performance and other relevant factors.

As a result of the ASX listing of JB Hi-Fi the remuneration of the Chairman and non-executive directors was reviewed. For the period 1 July 2003 to 30 September 2003, when JB Hi-Fi was not a listed entity, non-executive directors' remuneration was $5,000 per quarter, or $20,000 per annum. In addition, Gary Levin was paid $1,500 per attendance at Due Diligence Committee meetings with regard to the listing of the company. Post the listing of JB Hi-Fi, the remuneration for the 2004 financial year for non-executives directors was $40,000 per annum and $75,000 per annum for the Chairman. In addition, non executive directors (including the Chairman) are paid $5,000 per annum per board committee they are appointed to. This remuneration policy was in place for the period 1 October 2003 to 30 June 2004.

It is the policy of the company not to pay lump sum retirement benefits to non-executive directors. Superannuation contributions are made by the company on behalf of non-executive directors in line with legislative requirements. Some non-executive directors, as a result of their personal superannuation circumstances, have notified the company that they would prefer their superannuation contributions to be received as increased board fees. This results in no net increase to the cost of directors' remuneration to the company.

Remuneration packages for executives contain the following key elements:

(a) Salary/fees;

(b) Benefits – including the provision of motor vehicle, superannuation and

(c) Incentive schemes – including performance related bonuses and share options under the employee share option plan as disclosed in note 5 to the financial statements.

The following table discloses the remuneration of the directors of the company for the twelve months ended 30 June 2004:

	Role	Salary & Fees	Cash Bonus	Motor Vehicle	Other Benefits	Super-annuation	Equity Options	Total
		$	$	$	$	$	$	$
Specified Non-Executive Directors								
P. Elliott	Chairman	68,750	–	–	–	–	–	68,750
G. Levin	Non-Executive Director	44,750	–	–	–	3,038	–	47,788
W. Fraser	Non-Executive Director	36,788	–	–	–	–	–	36,788
J. King	Non-Executive Director	7,007	–	–	–	–	–	7,007
H. Toll	Non-Executive Director	5,000	–	–	–	–	–	5,000
M. Roehm	Non-Executive Director	5,000	–	–	–	–	–	5,000
Specified Executive Directors								
R. Uechtritz	Chief Executive Officer	425,000	125,000	26,000	8,230	64,394	49,995	698,619
T. Smart	Executive Director	250,000	100,000	26,000	–	38,500	34,779	449,279
Total Remuneration: Specified Directors		842,295	225,000	52,000	8,230	105,932	84,774	1,318,231

There were four executives with the greatest authority and who were directly accountable and responsible for the strategic direction and operational management of the company and the consolidated entity during the financial year. The following table discloses their remuneration:

	Role	Salary & Fees	Cash Bonus	Motor Vehicle	Other Benefits	Super-annuation	Equity Options	Total
		$	$	$	$	$	$	$
Specified Executives								
F. Garonzi	General Manager	200,000	50,000	25,000	–	22,500	15,619	313,119
F. Fiume(I)	Chief Financial Officer	15,096	10,000	2,603	–	1,452	–	29,151
R. Murray(II)	Chief Financial Officer	116,501	40,000	–	–	13,533	11,184	181,218
S. Browning(III)	Marketing Director	50,301	15,000	7,397	–	5,859	6,660	85,217
Total Remuneration: Specified Executives		381,898	115,000	35,000	–	43,344	33,463	608,705

(I) Frank Fiume resigned as Chief Financial Officer on 7 August 2003
(II) Richard Murray commenced as Chief Financial Officer on 27 August 2003
(III) Scott Browning commenced as Marketing Director on 15 March 2003

Directors' Shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company at the date of this report:

	Fully paid ordinary share		Executive share options	
	Direct	*Indirect*	*Direct*	*Indirect*
P. Elliott	238,600	–	–	–
R. Uechtritz	5,107,096	–	864,751	–
T. Smart	1,798,000	–	583,035	–
G. Levin	400,000	–	–	–
W. Fraser	–	6,451	–	–
J. King	–	32,258	–	–
Total directors' shareholdings:	7,543,696	38,709	1,447,786	–

Share Options

Share Options granted to directors and executives

During and since the financial year, an aggregate of 2,477,411 share options were granted to the following directors and executives of the company

Directors & Executives	Issuing entity	Number of options granted during the financial year	Number of options issued since the financial year[I]	Number of ordinary shares under option
R. Uechtritz	JB Hi-Fi Limited	345,000	519,751	864,751
T. Smart	JB Hi-Fi Limited	240,000	343,035	583,035
F. Garonzi	JB Hi-Fi Limited	–	259,875	339,875
R. Murray	JB Hi-Fi Limited	100,000	259,875	359,875
S. Browning	JB Hi-Fi Limited	150,000	259,875	409,875

(I) Vesting is subject to terms of the ESOP and the Company achieving minimum earnings per share growth of ten percent per annum.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Patrick Elliott
Chairman

Richard Uechtritz
Chief Executive Officer

Melbourne,
16 August 2004

The directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Patrick Elliott
Chairman

Richard Uechtritz
Chief Executive Officer

Melbourne,
16 August 2004

STATEMENT OF FINANCIAL PERFORMANCE
for the Financial Year Ended 30 June 2004

		Consolidated		Company	
	Note	*2004 $'000*	*2003 $'000*	*2004 $'000*	*2003 $'000*
Sales revenue (sales of goods)		452,357	355,835	–	–
Cost of sales		(346,421)	(275,901)	–	–
Gross profit		105,936	79,934		
Other revenue from ordinary activities		506	794	17,714	3,369
Marketing expenses		(56,025)	(42,267)	–	–
Occupancy expenses		(14,496)	(9,754)	–	–
Administration expenses		(6,923)	(5,186)	(196)	(118)
Borrowing costs		(3,058)	(4,423)	(2,253)	(3,892)
Other expenses from ordinary activities		(6,235)	(6,789)	(3)	(66)
Profit/(loss) from ordinary activities before income tax expense	*2*	19,705	12,309	15,262	(707)
Income tax (expense)/benefit relating to ordinary activities	*4*	(5,899)	(3,716)	(692)	211
Profit/(loss) from ordinary activities after related income tax expense		13,806	8,593	14,570	(496)
Net profit/(loss)		13,806	8,593	14,570	(496)
Net profit/(loss) attributable to members of the parent entity		13,806	8,593	14,570	(496)
Total changes in equity other than those resulting from transactions with owners as owners		**13,806**	**8,593**	**14,570**	**(496)**

Key Statistical Data

	Note	2004	2003
Earnings Per Share: (II)			
Basic (cents per share) (I)	*26*	16.16	10.41
Diluted (cents per share) (I)	*26*	15.99	10.18
Gross margin percentage (%)		23.41%	22.46%
Rent as a percentage of sales (%) (III)		1.58%	1.31%
Operating expenditure as a percentage of sales (%) (IV)		17.80%	17.61%
Number of stores at end of period		32	26

(I) For comparative purposes, these EPS figures have been calculated based on the shares and options on issue at 30 June 2003, converted on the basis of the four for one issue of shares completed as part of the IPO. The basic and diluted EPS calculated using the actual shares and options on issue at 30 June 2003 are as follows:

Basic (cents per share) 39.24
Diluted (cents per share) 36.21

(II) Earnings per share calculated using profit from ordinary activities after income tax and the actual number of shares on issue at the end of the financial year is as follows:

30 June 2004 (cents per share) 13.48
30 June 2003 (cents per share) 8.39 (calculated on the basis of the four for one share split as above)

(III) Based on actual rent and outgoings for the financial year

(IV) Excludes borrowing costs, depreciation and amortisation

Notes to the financial statement are included on pages 24 to 52.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2004

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Current assets					
Cash assets		16,432	12,990	62	–
Receivables	7	13,170	7,699	–	–
Inventories	8	70,349	49,074	–	–
Other	9	1,127	681	–	90
Total current assets		101,078	70,444	62	90
Non-current assets					
Other financial assets	10	6	6	67,495	53,647
Property, plant and equipment	11	21,940	14,880	–	–
Intangibles	12	46,518	43,094	–	–
Deferred tax assets	13	414	1,727	414	314
Other	14	247	781	247	247
Total non-current assets		69,125	60,488	68,156	54,208
Total assets		170,203	130,932	68,218	54,298
Current liabilities					
Payables	15	68,962	46,918	21	50
Interest-bearing liabilities	16	4,364	3,289	–	–
Current tax liabilities	17	2,448	2,081	2,448	–
Provisions	18	5,170	3,538	–	–
Total current liabilities		80,944	55,826	2,469	50
Non-current liabilities					
Interest-bearing liabilities	19	39,235	34,589	32,000	32,000
Deferred tax liabilities	20	323	1,387	323	–
Provisions	21	825	668	–	–
Total non-current liabilities		40,383	36,644	32,323	32,000
Total liabilities		121,327	92,470	34,792	32,050
Net assets		**48,876**	**38,462**	**33,426**	**22,248**
Equity					
Contributed equity	24	32,196	21,900	32,196	21,900
Retained profits	25	16,680	16,562	1,230	348
Total Equity		**48,876**	**38,462**	**33,426**	**22,248**

Notes to the financial statement are included on pages 24 to 52.

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
Cash flows from operating activities					
Receipts from customers		491,736	388,991	–	–
Payments to suppliers and employees		(468,959)	(358,242)	(76)	(336)
Interest and bill discounts received		356	316	3,714	3,369
Interest and other costs of finance paid		(3,058)	(3,337)	(2,253)	(2,806)
Income tax (paid) / refunded		(5,282)	(4,082)	2,069	(348)
Net cash provided by/(used in) operating activities	*33(c)*	14,793	23,646	3,454	(121)
Cash flows from investing activities					
Payment for investment securities		–	(6)	–	–
Proceeds from repayment of related party receivables		–	–	–	6,454
Payment for property, plant and equipment		(10,282)	(6,253)	–	–
Proceeds from sale of property, plant and equipment		145	478	–	–
Payment for intangible assets		(3,543)	–	–	–
Net cash provided by/(used in) investing activities		(13,680)	(5,781)	–	6,454
Cash flows from financing activities					
Proceeds from issues of equity securities		10,296	–	10,296	–
Payment for debt issue costs		–	(1,347)	–	(1,333)
Proceeds from borrowings		–	32,000	–	32,000
Repayment of borrowings		(601)	(35,171)	–	(37,000)
Repayment of lease liabilities		(3,368)	(4,024)	–	–
Proceeds from lease liabilities		9,690	3,105	–	–
Dividends paid to members of the parent entity		(13,688)	–	(13,688)	–
Net cash provided by/(used in) financing activities		2,329	(5,437)	(3,392)	(6,333)
Net increase in cash held		3,442	12,428	62	–
Cash at the beginning of the financial year		12,990	562	–	–
Cash at the end of the financial year	*33(a)*	**16,432**	**12,990**	**62**	**–**

Notes to the financial statement are included on pages 24 to 52.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Framework

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus View. The financial report has been prepared on the basis of historical cost and except where stated, it does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) *Principles of consolidation*

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 “Consolidated Accounts”. A list of controlled entities appears in note 29 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

b) *Cash and cash equivalents*

Cash on hand and in banks and short-term deposits are stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

c) Receivables

Trade receivables are recognised and carried at amounts due less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

d) Investments

Investments in controlled entities are recorded at cost. Other investments are recorded at cost. Dividend revenue is recorded on a receivable basis.

e) Inventories

Inventories are valued at the lower of cost and net realisable value.

f) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

g) Property, plant and equipment

Cost and valuation

Property, plant and equipment are measured at cost.

Acquisitions of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus any costs incidental to the acquisition. In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line method so as to write off the net cost or revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	2 – 10 years
Plant and equipment	4 – 12 years
Equipment under finance lease	2 – 10 years

h) Leases

Leased assets classified as finance leases are recognised as assets. The amount brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee, substantially all the risks and benefits incidental to ownership of the leased property.

Finance leased assets are amortised on a straight line basis over the estimated life of the asset. Finance lease payments are allocated between interest expense and reduction of the lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefit from the leased asset is consumed.

i) Intangibles

Brand name

The company's brand name is recorded at the cost of acquisition. The directors gave due consideration to the technical and commercial life of the brand name to determine its useful life. In the opinion of the directors, the brand name does not have a finite useful life and, accordingly, it has not been subject to amortisation.

Rights to Profit Share

The management rights in relation to the profit share agreement of the Highpoint store have been recorded at the cost of acquisition. The purchased management rights are being systematically amortised over twenty years, in accordance with the asset's expected useful life.

j) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

k) Interest-bearing liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

l) *Provisions*

Provisions are recognised when the consolidated entity has a present obligation to make a future sacrifice of economic benefits as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

m) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and disposal of assets

Revenue from the sale of goods or disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer. Revenue from the sale of gift vouchers is recognised on redemption and revenue from goods held on lay by is only recognised when paid in full (the goods remain the property of the consolidated entity until this point).

Interest

Control of the right to receive the interest payment.

n) *Taxes*

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

During the financial year, the directors elected that the company and all its wholly-owned entities would join a tax-consolidated group. As a result, all the income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the parent entity.

Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent entity and the subsidiary entities made in accordance with the agreement. Further information about the tax sharing agreement is detailed in note 4 to the financial statements.

The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from, or to subsidiary entities in accordance with the tax sharing agreement as these amounts are recognised as intercompany receivables and payables.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

I. where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

II. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

o) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date, when it is probable that the settlement will be required and it can be reliably measured. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, and long service leave expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Provisions made in respect to long service leave which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

p) *Financial instruments issued by the company*

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are those that are incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

q) *Derivative financial instruments*

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details on derivative financial instruments are discussed in note 34 to the financial statements.

Interest rate swaps

Gains and losses on interest rate swaps are included in the determination of interest expense.

r) *Comparatives*

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	Consolidated		Company	
	2004 *$'000*	*2003* *$'000*	*2004* *$'000*	*2003* *$'000*
2. Revenue				
The profit from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating Revenue				
Sales revenue	452,357	355,835	–	–
Interest revenue:				
Wholly-owned controlled entities	–	–	3,711	3,368
Other entities	356	316	3	1
Dividends:				
Wholly-owned controlled entities	–	–	14,000	–
	452,713	356,151	17,714	3,369
(b) Non-operating Revenue				
Proceeds from the sale of non-current assets:				
Plant and equipment	145	478	–	–
Other income	5	–	–	–
	150	478	–	–
	452,863	**356,629**	**17,714**	**3,369**
3. Expenses				
(a) Expenses from ordinary activities				
Cost of sales	346,421	275,901	–	–
Borrowing costs:				
Other related parties	–	1,087	–	1,087
Other entities	2,387	1,813	2,129	1,719
Finance lease charges	547	437	–	–
Debt refinancing costs	124	1,086	124	1,086
	3,058	4,423	2,253	3,892
Depreciation of non-current assets:				
Plant and equipment	2,749	950	–	–
Leasehold improvements	301	369	–	–
	3,050	1,319	–	–
Amortisation of intangibles: rights to profit share	118	–	–	–
Net bad and doubtful debts arising from:				
Other entities	62	300	–	–
Operating lease rental expenses:				
Minimum lease payments	7,139	4,683	–	–
Inventory: write downs	1,208	1,542	–	–

	Consolidated		Company	
	2004	*2003*	*2004*	*2003*
	$'000	*$'000*	*$'000*	*$'000*
3. Expenses (continued)				
(b) Net losses on sale of assets				
Property, plant and equipment	26	64	–	–
4. Income Tax				
(a) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit/(loss) from Ordinary Activities	**19,705**	**12,309**	**15,262**	**(707)**
Income tax expense/(benefit) calculated at 30% of operating profit.	5,911	3,693	4,579	(211)
Permanent Differences:				
Other non-allowable expenses	–	23	–	–
Non assessable amount related to transactions within the tax consolidated group	–	–	(4,201)	–
(Over)/under provision of income tax in previous year	(12)	–	314	–
Impact of the tax consolidation system:				
Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	–	–	2,048	–
Consideration paid to subsidiaries in respect of transferred tax balances	–	–	(2,048)	–
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group	–	–	5,207	
Net income tax expense arising under tax sharing agreements with subsidiaries in the tax consolidated group	–	–	(5,207)	
Income tax expense attributable to ordinary activities	**5,899**	**3,716**	**692**	**(211)**
Deferred tax assets and liabilities				
Provision for deferred income tax	323	1,387	323	–
Future income tax benefit	414	1,727	414	314

(b) Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

The company and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, JB Hi-Fi Limited and each of the entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in the amounts receivable from, or payable to other entities in the tax consolidated group. The implementation of the tax consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is JB Hi-Fi Limited.

5(a) Director and executive remuneration

(i) Details of Specified Directors and Specified Executives

Specified directors of JB Hi-Fi Limited during the year:

Patrick F Elliott	Chairman (non executive)
Richard A Uechtritz	Director and Chief Executive Officer
Terry D Smart	Director (executive)
Gary Levin	Director (non executive)
Will Fraser	Director (non executive) – appointed 15 September 2003
James King	Director (non executive) – appointed 10 May 2004
Hugh Toll	Director (non executive) – resigned 15 September 2003
Macdonnell Roehm	Director (non executive) – resigned 15 September 2003

Specified executives of JB Hi-Fi Limited during the year:

Frank Garonzi	General Manager
Frank Fiume	Chief Financial Officer – resigned 7 August 2003
Richard Murray	Chief Financial Officer and Company Secretary – appointed 27 August 2003
Scott Browning	Marketing Director – appointed 15 March 2004

(ii) Remuneration of Specified Directors and Specified Executives

Remuneration Policy

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance.

Executive directors and executives have the opportunity to qualify for participation in the Executive share option plan.

In addition, executives are entitled to annual bonuses payable upon the achievement of annual corporate profitability measures.

As a result of the ASX listing of JB Hi-Fi, the remuneration of the Chairman and non-executive directors was reviewed. For the period 1 July 2003 to 30 September 2003, when JB Hi-Fi was not a listed entity, non-executive directors' remuneration was $5,000 per quarter, or $20,000 per annum. In addition, Gary Levin was paid $1,500 per attendance at Due Diligence Committee meetings with regard to the listing of the company. Post listing, the remuneration for the 2004 financial year for non-executives directors was $40,000 per annum and $75,000 per annum for the Chairman. In addition, non executive directors (including the Chairman) are paid $5,000 per annum per board committee to which they are appointed. This remuneration policy was in place for the period 1 October 2003 to 30 June 2004.

The following table discloses the remuneration of the directors of the company for the twelve months ended 30 June 2004:

	Role	Salary & Fees	Cash Bonus(V)	Motor Vehicle	Other Benefits	Super-annuation	Equity Options(IV)	Total
		$	$	$	$	$	$	$
Specified Non-Executive Directors								
P. Elliott	Chairman	68,750	–	–	–	–	–	68,750
G. Levin	Non-Executive Director	44,750	–	–	–	3,038	–	47,788
W. Fraser	Non-Executive Director	36,788	–	–	–	–	–	36,788
J. King	Non-Executive Director	7,007	–	–	–	–	–	7,007
H. Toll	Non-Executive Director	5,000	–	–	–	–	–	5,000
M. Roehm	Non-Executive Director	5,000	–	–	–	–	–	5,000
Specified Executive Directors								
R. Uechtritz	Chief Executive Officer	425,000	125,000	26,000	8,230	64,394	49,995	698,619
T. Smart	Executive Director	250,000	100,000	26,000	–	38,500	34,779	449,279
Total Remuneration: Specified Directors		842,295	225,000	52,000	8,230	105,932	84,774	1,318,231

There were four executives with the greatest authority and who were directly accountable and responsible for the strategic direction and operational management of the company and the consolidated entity during the financial year. The following table discloses their remuneration:

	Role	Salary & Fees	Cash Bonus(V)	Motor Vehicle	Other Benefits	Super-annuation	Equity Options(IV)	Total
		$	$	$	$	$	$	$
Specified Executives								
F. Garonzi	General Manager	200,000	50,000	25,000	–	22,500	15,619	313,119
F. Fiume(I)	Chief Financial Officer	15,096	10,000	2,603	–	1,452	–	29,151
R. Murray(II)	Chief Financial Officer	116,501	40,000	–	–	13,533	11,184	181,218
S. Browning(III)	Marketing Director	50,301	15,000	7,397	–	5,859	6,660	85,217
Total Remuneration: Specified Executives		381,898	115,000	35,000	–	43,344	33,463	608,705

(I) Frank Fiume resigned as Chief Financial Officer on 7 August 2003

(II) Richard Murray commenced as Chief Financial Officer on the 27 August 2003

(III) Scott Browning commenced as Marketing Director on the 15 March 2003

(IV) Certain specified directors and specified executives were granted executive share options under the Executive Share Option Plan. Further details of the options are contained in note 31(c) to the financial statements

(V) Cash bonuses were paid to specified directors and specified executives on 26 July 2004. Bonuses were given on the achievement of budgeted and forecast earnings targets for the financial year ended 30 June 2004

5(b) Employee and Executive share option plan

The consolidated entity has an ownership-based remuneration scheme for executives (including non executive directors). In accordance with the provisions of the scheme, executives within the consolidated entity are granted options to purchase parcels of ordinary shares at various issue prices. The options vest a third each, on the second, third and fourth anniversary of issue. The options expire within five years of their issue, or one month after the executive's resignation, whichever is earlier.

Employee and Executive share option plan

	2004 No.	*2003 No.*
Balance at beginning of the financial year (I)	1,280,000	1,040,000
Granted during the financial year (II)	1,121,818	240,000
Exercised during the financial year (III)	(332,666)	–
Balance at end of financial year (IV)	2,069,152	1,280,000

(I) Balance at beginning of the financial year

Option – Series	*No.*	*Grant date*	*Expiry Date*	*Exercise Price $*
(1) Issued 7 February 2002	1,040,000	7/2/02	7/2/05	0.50
(2) Issued 19 September 2002	80,000	19/9/02	19/9/07	1.25
(3) Issued 1 October 2002	80,000	22/10/02	22/10/07	1.25
(4) Issued 22 October 2002	80,000	1/10/02	1/10/07	1.25
	1,280,000			

Executive share options carry no rights to dividends and no voting rights.

In accordance with the terms of the executive share option scheme, the options vest a third each, on the second, third and fourth anniversary of issue. The options expire within five years of their issue, or one month after the executive's resignation, whichever is earlier.

(II) Granted during the financial year

2003 *Option – Series*	*No.*	*Grant date*	*Expiry Date*	*Exercise Price $*
(5) Issued 18 September 2003 *	745,000	18/9/03	18/9/08	1.25
(6) Issued 29 January 2004 *	25,818	29/1/04	29/1/09	2.32
(7) Issued 21 March 2004 *	150,000	21/3/04	21/3/09	2.23
(8) Issued 28 April 2004 *	201,000	28/4/04	28/4/09	2.25
	1,121,818			

2003 *Option – Series*	*No.*	*Grant date*	*Expiry Date*	*Exercise Price $*
(2) Issued 19 September 2002	80,000	19/9/02	19/9/07	1.25
(3) Issued 1 October 2002	80,000	1/10/02	1/10/07	1.25
(4) Issued 22 October 2002	80,000	22/10/02	22/10/07	1.25
	240,000			

* The fair value of the options granted during the current financial year is as follows:

- Issued 18 September 2003 – $0.51 per option
- Issued 29 January 2004 – $0.45 per option
- Issued 21 March 2004 – $0.45 per option
- Issued 28 April 2004 – $0.48 per option

(III) Exercised during the financial year

2004 *Option – Series*	*No. of options exercised*	*Grant date*	*Exercise date*	*Expiry date*	*Exercise price $*	*No. of shares issued*	*Fair value of consideration received $*	*Fair value of shares at date of issue $*
(1) Issued 7 February 2002	66,666	7/2/02	4/3/04	7/2/07	0.50	66,666	33,333	151,988
(1) Issued 7 February 2002	266,000	7/2/02	20/3/04	7/2/07	0.50	266,000	133,000	627,760
	332,666					332,666	166,333	779,748

Fair value of consideration received is measured as the nominal value of cash receipts upon conversion. The fair value of shares at the date of their issue is measured at the market value at close of trade on the date of their issue.

(IV) Balance at the end of the financial year

2004 *Option – Series*	*No.*	*Vested No.*	*Unvested No.*	*Grant date*	*Expiry Date*	*Exercise Price $*
(1) Issued 7 February 2002	707,334	94,003	613,331	7/2/02	7/2/07	0.50
(2) Issued 19 September 2002	80,000	–	80,000	19/9/02	19/9/07	1.25
(3) Issued 1 October 2002	80,000	–	80,000	1/10/02	1/10/07	1.25
(4) Issued 22 October 2002	80,000	–	80,000	22/10/02	22/10/07	1.25
(5) Issued 18 September 2003	745,000	–	745,000	18/9/03	18/9/08	1.25
(6) Issued 29 January 2004	25,818	–	25,818	29/1/04	29/1/09	2.32
(7) Issued 21 March 2004	150,000	–	150,000	21/3/04	21/3/09	2.23
(8) Issued 28 April 2004	201,000	–	201,000	28/4/04	28/4/09	2.25
	2,069,152	94,003	1,975,149			

2003 *Option – Series*	*No.*	*Vested No.*	*Unvested No.*	*Grant date*	*Expiry Date*	*Exercise Price $*
(1) Issued 7 February 2002	1,040,000	–	1,040,000	7/2/02	7/2/07	0.50
(2) Issued 19 September 2002	80,000	–	80,000	19/9/02	19/9/07	1.25
(3) Issued 1 October 2002	80,000	–	80,000	1/10/02	1/10/07	1.25
(4) Issued 22 October 2002	80,000	–	80,000	22/10/02	22/10/07	1.25
	1,280,000	–	1,280,000			

Executive share options carry no rights to dividends and no voting rights.

In accordance with the terms of the executive share option scheme, the options vest a third each, on the second, third and fourth anniversary of issue. The options expire within five years of their issue, or one month after the executive's resignation, whichever is earlier.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year as disclosed in note 5(a) to the financial statements. The amounts are disclosed in remuneration in respect of the financial year in which the entitlement was earned.

Consideration received on the exercise of executives' options is recognised in contributed equity. During the financial year, $166,333 (2003: nil) was recognised in contributed equity arising from the exercise of executive options.

6. Remuneration of Auditors

During the year the auditor of JB Hi-Fi Limited and its related practices earned the following remuneration

	Consolidated		Company	
	2004	*2003*	*2004*	*2003*
(a) Auditor of the parent entity				
Auditing the financial reports	112,000	135,000	–	–
Other services:				
IFRS consulting	20,000	–	–	–
Tax consolidation	19,000	–	–	–
Tax and accounting consulting	12,000	77,000	–	–
Total other services	51,000	77,000	–	–
	163,000	**212,000**	**–**	**–**

Deloitte Touche Tohmatsu and its related practices ("Deloitte") were engaged to undertake the investigating accountants report and review of forecasts as part of the company's IPO in October 2003. The fees associated with their work were paid by the original shareholders who sold shares into the IPO and not the consolidated entity. The fees paid to Deloitte were disclosed in the prospectus.

	Consolidated		Company	
	2004 *$'000*	*2003* *$'000*	*2004* *$'000*	*2003* *$'000*
7. Current Receivables				
Trade receivables	2,651	785	–	–
Allowance for doubtful debts	(77)	(37)	–	–
	2,574	748	–	–
Non-trade receivables	10,596	6,951	–	–
	13,170	**7,699**	**–**	**–**
8. Current Inventories				
Finished goods: At cost	71,099	49,890	–	–
Provision for write down	(750)	(816)	–	–
At net realisable value	**70,349**	**49,074**	**–**	**–**
9. Other Current Assets				
Prepayments	790	444	–	–
Security deposits	187	237	–	–
Tax refund receivable	–	–	–	90
Deposit for the purchase of the business assets and stock in trade of the business known as Impact Records-Canberra	150	–	–	–
	1,127	**681**	**–**	**90**
10. Other Non-Current Financial Assets				
Interest-bearing loans advanced to wholly owned controlled entity	–	–	65,447	53,647
Amounts receivable from entities within the tax consolidated group	–	–	2,048	–
At cost:				
Shares in listed entities	6	6	–	–
Shares in controlled entities[1]	–	–	–	–
	6	**6**	**67,495**	**53,647**

1 *Investment in subsidiary is $2*

11. Property, plant and equipment

	Consolidated			
	Leasehold Improvements at cost	*Plant and Equipment at cost*	*Equipment Under Finance Lease at cost*	*TOTAL*
	$'000	*$'000*	*$'000*	*$'000*
Gross carrying amount				
Balance at 30 June 2003	2,258	12,211	4,388	18,857
Transfers	(503)	(4,353)	4,856	–
Additions	256	336	9,690	10,282
Disposals	(123)	(111)	(185)	(419)
Balance at 30 June 2004	1,888	8,083	18,749	28,720
Accumulated depreciation/amortisation				
Balance at 30 June 2003	(605)	(2,826)	(546)	(3,977)
Transfers	(107)	1,084	(977)	–
Disposals	140	39	68	247
Depreciation expense	(301)	(959)	(1,790)	(3,050)
Balance at 30 June 2004	(873)	(2,662)	(3,245)	(6,780)
Net book value				
As at 30 June 2003	**1,653**	**9,385**	**3,842**	**14,880**
As at 30 June 2004	**1,015**	**5,421**	**15,504**	**21,940**

	Consolidated		Company	
	2004	*2003*	*2004*	*2003*
	$'000	*$'000*	*$'000*	*$'000*
12. Intangibles				
Brand Names – at cost	43,094	43,094	–	–
Rights to profit share – at cost (Note 1(i))	3,542	–	–	–
Accumulated amortisation	(118)	–	–	–
	3,424	–	–	–
	46,518	**43,094**	**–**	**–**
13. Deferred tax assets				
Future income tax benefit				
Timing differences attributable to:				
Parent entity	–	314	–	314
Entities in the tax consolidated group (l)	414	–	414	–
Other	–	1,413	–	–
	414	**1,727**	**414**	**314**

(l) Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 4 for further information.

	Consolidated		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
14. Other non-current assets				
Deferred Costs	**247**	**781**	**247**	**247**
15. Current payables				
Trade payables	60,371	42,203	–	–
Other creditors & accruals	5,864	2,716	21	50
Deferred income	1,720	1,745	–	–
Goods and services tax (GST) payable	1,007	254	–	–
	68,962	**46,918**	**21**	**50**
16. Current interest bearing liabilities				
Secured:				
Hire purchase lease liabilities (II)	4,364	2,688	–	–
Unsecured:				
Loans – other entity	–	601	–	–
	4,364	**3,289**	**–**	**–**
(II) Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.				
17. Current tax liabilities				
Income tax payable attributable to:				
Entities in the tax consolidated group (III)	2,448	–	2,448	–
Other	–	2,081	–	–
	2,448	**2,081**	**2,448**	**–**
(III) Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 4 for further information.				
18. Current provisions				
Employee benefits (note 22)	**5,170**	**3,538**	**–**	**–**
19. Non-current interest bearing liabilities				
Secured:				
Bank loans (I)	32,000	32,000	32,000	32,000
Hire purchase liability (II)	7,235	2,589	–	–
	39,235	**34,589**	**32,000**	**32,000**

(I) Secured by a fixed and floating charge over the consolidated entity's assets, the current market value of which exceeds the value of the loan.

(II) Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
20. Non-current tax liabilities				
Deferred income tax attributable to:				
Entities in the tax consolidated group (l)	323	–	323	–
Other	–	1,387	–	–
	323	**1,387**	**323**	**–**

(l) Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 4 for further information.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Company 2004 $'000	Company 2003 $'000
21. Non-current provisions				
Employee benefits (note 22)	**825**	**668**	**–**	**–**
22. Employee benefits				
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (note 18)	5,170	3,538	–	–
Non-current (note 21)	825	668	–	–
Accrued wages and salaries (l)	9	64	–	–
	6,004	**4,270**	**–**	**–**

(l) Accrued wages and salaries are included in the other creditors & accruals balance as disclosed in note 15 to the financial report.

	Consolidated 2004 No.	Consolidated 2003 No.	Company 2004 No.	Company 2003 No.
Number of employees at end of financial year	**1,209**	**822**	**–**	**–**

	Consolidated Dividend $'000	Company Dividend $'000
23. Provision for Dividends		
Balance at 30 June 2003	–	–
Additional provisions recognised	13,688	13,688
Reductions arising from payments	(13,688)	(13,688)
Balance at 30 June 2004	**–**	**–**

The provision for dividends represents the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed as at reporting date, regardless of the extent to which they are expected to be paid in cash.

	Consolidated		Company	
	2004	*2003*	*2004*	*2003*
	$'000	*$'000*	*$'000*	*$'000*

24. Contributed Equity

(a) Share Capital

102,452,666 fully paid ordinary shares (2003: 21,900,000)	**32,196**	**21,900**	**32,196**	**21,900**

	2004		2003	
	No.	*$*	*No.*	*$*
	'000	*'000*	*'000*	*'000*
(b) Movements in ordinary share capital				
Fully Paid Ordinary Shares				
Balance at beginning of financial year	21,900	21,900	21,900	21,900
Exercise of options to issue shares to initial shareholders	3,630	10,130	–	–
Share split – four shares for every one held	76,590	–	–	–
Issue of shares under executive and employee share option plan (note 5(b))	333	166	–	–
Balance at end of financial year	**102,453**	**32,196**	**21,900**	**21,900**

Fully paid ordinary shares carry one vote per share and carry the right to dividends

25. Retained Profits

Balance at beginning of financial year	16,562	7,969	348	844
Net profit attributable to members of the parent entity	13,806	8,593	14,570	(496)
Dividends provided for or paid (note 27)	(13,688)	–	(13,688)	–
Balance at end of financial year	**16,680**	**16,562**	**1,230**	**348**

	Consolidated 2004 Cents per Share	Consolidated 2003 Cents per Share
26. Earnings per share		
Basic earnings per share	**16.16**	**10.41**
Diluted earnings per share	**15.99**	**10.18**

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Consolidated 2004 $'000	Consolidated 2003 $'000
Earnings	**13,806**	**8,593**

	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares	**85,441**	**82,543**

(I) For comparative purposes, the 2003 EPS numbers have been calculated based on the number of shares and options on issue at 30 June 2003, converted on the basis of the four for one issue of shares completed as part of IPO. The basic and diluted EPS calculated using the actual shares and option on issue at 30 June 2003 are as follows:

Basic (cents per share)	39.24
Diluted (cents per share)	36.21

	Consolidated 2004 $'000	Consolidated 2003 $'000
Diluted Earnings per Share		
The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings	**13,806**	**8,593**

	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares and potential ordinary shares	**86,375**	**83,185**

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated	
	2004 No. '000	*2003 No. '000*
Weighted average number of ordinary shares used in the calculation of basic EPS	85,441	82,543
Employee options	934	642
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	**86,375**	**83,185**

27. Dividends

	2004		2003	
	Cents per Share	*Total $'000*	*Cents per Share*	*Total $'000*
Recognised Amounts				
Fully Paid Ordinary Shares				
Interim dividend-franked to 30% (relating to 30 June 2004 year end)	3.60	3,688	–	–
Final dividend-franked to 30% (relating to 30 June 2003 year end)	45.66	10,000	–	–
		13,688		**–**
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend-franked to 30% (2003 : 30%)	3.60	3,688	45.66	10,000
		3,688		**10,000**

	Company	
	2004 $'000	*2003 $'000*
Adjusted franking account balance (tax paid basis)	**5,121**	**4,469**

28. Leases

Hire purchase liabilities

Hire purchase leases principally relate to motor vehicles and store fit out expenditure with lease terms of between three and five years. The consolidated entity has the option to purchase the equipment for a nominal amount at the conclusion of the leasing arrangements.

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Consolidated		Company		Consolidated		Company	
	2004 *$'000*	*2003* *$'000*	*2004* *$'000*	*2003* *$'000*	*2004* *$'000*	*2003* *$'000*	*2004* *$'000*	*2003* *$'000*
No later than one year	4,975	2,995	–	–	4,364	2,688	–	–
Later than one year and not later than five years	7,815	2,726	–	–	7,235	2,589	–	–
Minimum Lease Payments[(I)]	12,790	5,721	–	–	11,599	5,277	–	–
Less future finance charges	(1,191)	(444)	–	–	–	–	–	–
Present value of minimum lease payments	11,599	5,277	–	–	11,599	5,277	–	–
Included in the financial statements as:								
Current Interest Bearing Liabilities (Note 16)					4,364	2,688	–	–
Non-Current Interest-Bearing Liabilities (Note 19)					7,235	2,589	–	–
					11,599	5,277	–	–

(I) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating Leases

Operating leases relate to stores with new lease terms of between two to ten years, with, in some cases an option to extend. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have the right to purchase the leased asset at the expiry of the lease period.

	Consolidated		Company	
	2004 *$'000*	*2003* *$'000*	*2004* *$'000*	*2003* *$'000*
Non-cancellable operating leases				
Not longer than one year	7,696	6,119	–	–
Longer than one year and not longer than five years	19,169	15,163	–	–
Longer than five years	14,769	9,257	–	–
	41,634	**30,539**	**–**	**–**

29. Controlled entities

	Country of Incorporation	Ownership Interest 2004 %	Ownership Interest 2003 %
Parent Entity			
JB Hi-Fi Limited (i)	Australia	–	–
Controlled Entities			
JB Hi-Fi Group Pty Ltd (ii)	Australia	100	100
JB Hi-Fi (A) Pty Ltd (ii)	Australia	100	100

(i) JB Hi-Fi Limited is the head entity within the tax consolidated group.

(ii) These companies are members of the tax consolidated group.

30. Segment information

The consolidated entity operates in one segment being the Hi-Fi and audio visual equipment retail industry including CD and DVD players, televisions, stereos and other related equipment, and operates only in Australia.

31. Related party and specified executive disclosures

(a) Equity Interests In Related Parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 29 to the financial statements.

(b) Specified directors and specified executives' remuneration

Details of specified directors' and specified executives' remuneration are disclosed in note 5 to the financial statements.

(c) Specified directors' and executives' equity holdings

Fully paid ordinary shares issued by JB Hi-Fi Limited

	Balance at 1/7/03 No.	*Granted as remuneration No.*	*Received on exercise of options under ESOP(ii) No.*	*Option Series per note 5 (b)*	*Received on exercise of options – other(iii) No.*	*Net other change No.*	*Balance at 30/6/04 No.*	*Balance held nominally No.*
Specified Directors								
P. Elliott	–	–	–		–	238,600	238,600	–
R. Uechtritz	785,000	–	–		395,000	3,927,096(i)	5,107,096	–
T. Smart	200,000	–	–		249,500	1,348,500(i)	1,798,000	–
G. Levin	100,000	–	–		100,000	200,000	400,000	–
W. Fraser	–	–	–		–	6,451	6,451	6,451
J. King	–	–	–		–	32,258	32,258	32,258
Specified Executives								
F. Garonzi	–	–	160,000	(1)	–	64,516	224,516	64,516
R. Murray	–	–	–		–	3,225	3,225	–
	1,085,000	**–**	**160,000**		**744,500**	**5,820,646**	**7,810,146**	**103,225**

(I) Net other change includes shares issued during the four for one share split completed as part of the listing of the company

(II) Executive Share Option Plan

(III) Relates to options not issued under the executive share option plan which were exercised prior to the ASX listing of the company as disclosed in the prospectus

Share Options issued by JB Hi-Fi Limited

	Balance at 1/7/03 No.	*Option Series per note 5 (b)*	*Granted as remuneration No.*	*Option Series per note 5 (b)*	*Exercised No.*	*Option Series per note 5 (b)*	*Balance at 30/6/04 No.*	*Vested and exercisable No.*	*Options vested during the year No.*
Specified Directors									
R. Uechtritz	395,000	*	345,000	(5)	395,000	*	345,000	395,000	395,000
T. Smart	249,500	*	240,000	(5)	249,500	*	240,000	249,500	249,500
G. Levin	100,000	*	–	–	100,000	*	–	100,000	100,000
Specified Executives									
F. Garonzi	240,000	(1)	–	–	160,000	(1)	80,000	160,000	160,000
R. Murray	–		100,000	(5)(8)	–	–	100,000	–	–
S. Browning	–		150,000	(7)	–	–	150,000	–	–
	984,500		835,000		904,500		915,000	904,500	904,500

* *These options were not issued under the Executive Share Option Plan*

(c) Other transactions with specified directors and specified executives

Up until 23 October 2003, Macquarie Investment Trust 111A, a trust associated with Mr P Elliott and Mr H Toll, held 6,413,652 fully paid $1.00 ordinary shares in JB Hi-Fi, being a 29.29% holding in the company at that time. Up to 23 October 2003, Macquarie Investment Trust 111B, a trust associated with Mr P Elliott and Mr H Toll, held 6,455,476 fully paid $1.00 ordinary shares in JB Hi-Fi being a 29.48% holding in the company at that time. During the financial year, Bond Street Investment Pty Ltd, a company associated with Mr P Elliott and Mr H Toll, held 2,288,192 options over shares in JB Hi-Fi, these options were exercised on 15 September 2003.

As detailed in the prospectus, under the terms of an agreement entered into on 20 July 2001 between MDIA, MDIB, BancBoston, AVLLC, Macdonell Roehm (the company's "initial investors") and Richard Uechtritz and Terry Smart, the initial investors granted options to Richard Uechtritz and Terry Smart over certain of the initial investors' shares in JB Hi-Fi. The initial investors cancelled the options during the financial year and paid Richard Uechtritz $3.44 million and Terry Smart $1.075 million in consideration for the cancellation of these options.

32. Subsequent events

A final ordinary dividend of 3.6 cents per share was recommended by the Company's Directors, fully franked at the company tax rate of 30% in respect of the year ended 30 June 2004. This final dividend was not declared until 16 August 2004 and is payable to the holders of fully paid ordinary shares on 21 October 2004. Accordingly, no provision for this dividend has been recognised in the financial statements for the year ended 30 June 2004.

JB purchased 70% of Queensland electrical retailer, Clive Anthonys for $24.15 million on 5 August 2004. Clive Anthonys retails white goods, consumer electronics, cooking appliances and computers. The company had sales in the year ended 30 June 2004 of $82.5 million with a normalised EBIT of $7.5 million.

The company also acquired the business assets and stock in trade of the business of Impact Records located in the central business district of Canberra, ACT. The acquisition was effective 1 July 2004. The purchase consideration was $1.5 million, plus stock in trade. During August 2004, the premises will be renovated and in late August will commence operating as a JB Hi-Fi Camera, CD & DVD Superstore.

33. Notes to Statement of Cashflows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2004 $'000	*2003 $'000*	*2004 $'000*	*2003 $'000*
Cash	**16,432**	**12,990**	**62**	**–**
(b) Financing Facilities				
Amount Used				
Senior Debt	32,000	32,000	32,000	32,000
Indemnity guarantees	1,667	1,231	–	–
Lease facility	11,599	5,473	–	–
	45,266	**38,704**	**32,000**	**32,000**
Amount Unused				
Senior Debt	–	–	–	–
Bank overdraft	15,000	15,000	–	–
Lease facility	401	3,527	–	–
	15,401	**18,527**	**–**	**–**

	Consolidated		Company	
	2004 *$'000*	*2003* *$'000*	*2004* *$'000*	*2003* *$'000*
(c) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities				
Net profit/(loss) from ordinary activities after related income tax	13,806	8,593	14,570	(496)
Loss on sale of non-current assets	27	133	–	–
Depreciation/Amortisation	3,293	1,319	–	–
Increase/(decrease) in deferred tax balances	249	(293)	–	–
Increase/(decrease) in current tax liability	368	(74)	2,671	(258)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
current receivables	(5,923)	(156)	(13,848)	–
current inventories	(21,275)	(6,182)	–	–
other current assets	(446)	(401)	90	(89)
other non-current assets	410	566	–	5,570
Increase/(decrease) in liabilities:				
current payables	22,495	19,921	(29)	152
current provisions	1,632	59	–	(5,500)
non-current provisions	157	161	–	500
Net cash from/(used in) operating activities	**14,793**	**23,646**	**3,454**	**(121)**

34. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Objectives of Derivative Financial Instruments

The consolidated entity is exposed to financial risks associated with movements in interest rates. An adverse interest rate movement can have an effect on the overall profitability of the consolidated entity and these risk exposures are managed by using derivative financial instruments to mitigate this risk. The consolidated entity uses interest rate swap contracts to this effect.

(c) Interest Rate Contracts

Interest rate swap contracts

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rate obligations. Each swap entered into involves the payment or receipt of the net amount of interest between fixed and floating rates on a quarterly basis, calculated by reference to an agreed notional principal amount. The weighted average fixed interest rate on the consolidated entity's interest rate swap contracts for the financial year ending 30 June 2004 was 6.7%.

The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

	Average Interest Rate		Notional Principle Amount		Fair Value	
	2004	2003	2004	2003	2004	2003
Outstanding Contracts	%	%	$'000	$'000	$'000	$'000
Less than one year	**6.7**	**6.3**	**32,000**	**32,000**	**170**	**–**

The average interest rate is based on the outstanding balances at the start of the financial year.

(d) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2004:

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 year	Fixed Interest Rate Maturity 1 to 5 years	Non-Interest Bearing	Total
2004	%	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash	4.9	16,432	–	–	–	16,432
Receivables	–	–	–	–	13,170	13,170
		16,432	–	–	13,170	29,602
Financial Liabilities						
Trade payables	–	–	–	–	(60,371)	(60,371)
Bank loans	6.7	(16,000)	–	(16,000)	–	(32,000)
Hire Purchase lease liabilities	7.4	–	(4,364)	(7,235)	–	(11,599)
Employee benefits	–	–	–	–	(5,995)	(5,995)
		(16,000)	**(4,364)**	**(23,235)**	**(66,366)**	**(109,965)**

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2003:

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 year	Fixed Interest Rate Maturity 1 to 5 years	Non-Interest Bearing	Total
2003	%	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Cash	4.5	12,990	–	–	–	12,990
Receivables	–	–	–	–	7,699	7,699
		12,990	–	–	7,699	20,689
Financial Liabilities						
Trade payables	–	–	–	–	(41,903)	(41,903)
Bank loans	6.3	(16,000)	–	(16,000)	–	(32,000)
Hire Purchase lease liabilities	9	–	(2,688)	(2,589)	–	(5,277)
Employee benefits	–	–	–	–	(4,206)	(4,206)
		(16,000)	(2,688)	(18,589)	(46,109)	(83,386)

(e) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(f) Net Fair Value

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary assets and financial liabilities is based on market prices where a market exists or by discounting expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The carrying amounts of receivables, cash assets, payables, loans and other advances, lease liabilities and provisions approximates net fair value.

35. Impact of adopting AASB equivalents to IFRS standards

JB Hi-Fi Ltd has commenced the project to transition its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (A-IFRS). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to A-IFRS. As JB Hi-Fi has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when JB Hi-Fi prepares its first fully A-IFRS compliant half year financial report for the half year ended 30 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006. Adoption of A-IFRS will require the restatement of comparative information. Most adjustments on first time adoption are to be made to opening retained earnings. Set out below are the key areas where accounting policies may change and may have an impact on the financial report of JB Hi-Fi. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instrument

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Impairment of Assets

Under AASB 136 *Impairment of Assets,* the recoverable amount of an asset is determined as the higher of net selling price and value in use. A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where the value in use is to be used to assess recoverable amount. Currently JB Hi-Fi's policy is to use undiscounted cash flows to assess the recoverable amount of non current assets. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Intangible Asset

Under the Australian equivalent to AASB 38 *Intangible Assets*, intangibles such as brand names are to be recognised at cost value unless there is an active market that supports the use of fair value. As the brand name of JB Hi-Fi Limited is currently recognised at cost, it is not expected that there will be any material impact as a result of adoption of this standard. Under AASB 136 *Impairment of Assets*, the brand name is to be tested for impairment annually and written down if found to be impaired. A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where the value in use is to be used to assess recoverable amount. Currently JB Hi-Fi's policy is to use undiscounted cash flows to assess the recoverable amount of intangibles assets. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Hedge Accounting

JB Hi-Fi enters into interest rate swaps in order to hedge its exposure to fluctuations in interest rates. The current accounting policy for hedging is described in note 1. Under A-IFRS, these interest rates swaps will mainly be cash flow hedges as defined under AASB 139 *Financial Instruments: Recognition and Measurement*. Changes in the fair value of hedging instruments classified as cash flow hedges are recognised in equity to the extent that they are effective hedges, and are recycled to the income statement when the hedged transaction affects the profit or loss. Any movement in the fair value of the hedging instrument that is not effective is recognised immediately in the profit and loss. It is not possible to determine the impact of the change in hedging requirements until a full analysis of the impact of the standard has been conducted.

Share based payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity based remuneration. It compulsorily applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. The fair value of options awarded to employees as part of their remuneration is currently not required to be expensed in the Statement of Financial Performance under Australian Accounting Standards. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

Business Combinations

Historically, the acquisition of an entity or operation is accounted for under the purchase method of accounting by the legal acquirer. On first time adoption of A-IFRS, the consolidated entity has an option to elect to re-open past acquisitions and retrospectively account for them appropriately. JB Hi-Fi has not assessed the impact of this option and consequently the reliable estimation of the future financial effects of this change in accounting policy have not been determined.

36. Additional company information

Principal Place of Business and Registered Office

JB Hi-Fi Limited is a public company, incorporated and operating in Australia.

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Brighton, Victoria 3186
Australia

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF JB HI-FI LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both JB Hi-Fi Limited (the company) and the consolidated entity, for the financial year ended 30 June 2004 as set out on pages 20 to 52. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

Deloitte.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion
In our opinion, the financial report of JB Hi-Fi Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T IMBESI
Partner
Chartered Accountants
16 August 2004

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 June 2004.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary Shares	
	Number of holders	*Number of shares*
1 – 1,000	498	323,169
1,001 – 5,000	1,969	6,253,134
5,001 – 10,000	915	7,032,288
10,001 – 100,000	559	12,779,129
100,001 and over	50	76,064,946
	3,991	102,452,666
The number of shareholders holding less than a marketable parcel of shares are	35	1,829

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	*Percentage of ordinary shares*
1	Westpac Custodian Nominees Limited	10,458,739	10.21
2	J P Morgan Nominees Australia Limited	10,145,384	9.90
3	National Nominees Limited	8,808,293	8.60
4	Citicorp Nominees Pty Ltd (CFS Future Leaders Fund account)	6,227,143	6.08
5	Mr Richard Uechtritz	5,107,096	4.98
6	Roseville Estate Pty Ltd	4,000,000	3.90
7	Shawville Pty Ltd	4,000,000	3.90
8	ANZ Nominees	3,584,755	3.50
9	RBC Global Services Australia Nominees Pty Ltd (PIPOOLED account)	2,881,500	2.81
10	Queensland Investment Corporation	2,559,930	2.50
11	IOOF Investment Management Limited	2,072,269	2.02
12	Mr Terry Smart	1,798,000	1.75
13	RBC Global Services Australia Nominees Pty Ltd (PIIC account)	1,671,086	1.63
14	Citicorp Nominees Pty Ltd (CFSIL CFS WS Small Comp account)	1,303,423	1.27
15	HSBC Custody Nominees (Australia) Limited	1,131,001	1.10
16	RBC Global Services Australia Nominees Pty Ltd (PP Account)	936,902	0.91
17	Cogent Nominees Pty Ltd	745,019	0.73
18	Government Superannuation Office (State Super Fund account)	720,201	0.70
19	Yoogalu Pty Ltd	555,556	0.54
20	Mr Gerald Harvey	555,555	0.54
		69,261,852	67.57

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Listed ordinary shares	
	Number of shares	*Percentage of ordinary shares*
Commonwealth Bank of Australia	8,158,912	7.96
The Capital Group Companies Inc.	5,363,599	5.24
Richard Uechtritz	5,107,097	4.98
	18,629,608	18.18

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

CORPORATE INFORMATION
ABN 80 093 220 136

Directors
Patrick Elliott (Chairman)
Richard Uechtritz (Chief Executive Officer)
Terry Smart (Executive Director)
Gary Levin
Will Fraser
James King

Company Secretary
Richard Murray

Registered Office
14 Spink Street
Brighton, Victoria 3186 Australia
(03) 8530 7333

Bankers
Westpac Banking Corporation Limited

Share Register
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067 Australia
1300 302 417 (Australia) or
+61 3 9615 5970 (International)

Auditors
Deloitte Touche Tohmatsu

Internet Address
www.jbhifi.com.au

Notice of Annual General Meeting
Notice is hereby given that the Annual General Meeting of JB Hi-Fi Limited will be held at the Carlton Crest Hotel, 65 Queens Road Melbourne at 11.00am Tuesday 26 October 2004.

JB Hi-Fi Stores

VIC	Brighton
	Camberwell
	Chadstone
	Dandenong
	Frankston
	Heidelberg
	Keilor
	Knox
	Maribyrnong
	Melbourne City
	Melbourne City DVD/Camera
	Ringwood
	Nunawading
	Prahran
	Preston
ACT	Canberra City
	Woden
NSW	Bankstown
	Bondi
	Erina
	Newcastle
	Parramatta
QLD	Brisbane
	Capalaba
	Gold Coast
	Indooroopilly
	Kawana
	Kedron
	Macgregor
WA	Cannington
	Osborne Park
	Perth
SA	Adelaide
	Marion

Clive Anthonys Stores

QLD	Mermaid Waters
	Carseldine
	Labrador
	Capalaba
NSW	Tweed Heads

DESIGN: COLLIER & ASSOCIATES STRATEGIC DESIGN FOR INVESTORS # 10290

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